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Part VIII

Department of Labor

Employment and Training Administration

Welfare-to-Work Grants; Performance Bonus Criteria; Notice

DEPARTMENT OF LABOR

Employment and Training Administration

Welfare-to-Work Grants; Performance Bonus Criteria

AGENCY: Employment and Training Administration (ETA), DOL.

ACTION: Notice of Welfare-to-Work performance bonus criteria.

SUMMARY: The Department of Labor (DOL) is responsible for administering Welfare-to-Work Grants as authorized by the Balanced Budget Act of 1997. This includes developing a formula and accompanying guidelines for awarding bonuses to successfully performing States. The Act stipulates that bonuses are to be awarded in FY 2000 and based on the performance of each State that is a Welfare-to-Work State in 1998 and 1999. DOL has consulted with the U.S. Department of Health and Human Services (DHHS), the National Governors' Association (NGA), the American Public Human Services Association (APHSA)—formerly American Public Welfare Association (APWA), and State and local welfare and workforce officials in drafting these guidelines.

FOR FURTHER INFORMATION CONTACT: Karen Greene, Chief, Division of Performance Management and Evaluation, Office of Policy and Research, United States Department of Labor, Employment and Training Administration, (202) 219–8680—not a toll free number.

SUPPLEMENTARY INFORMATION:

I. Background

The Balanced Budget Act of 1997 amends the Social Security Act to authorize the U.S. Department of Labor to provide Welfare-to-Work Grants to States and local communities. The purpose of these grants is to create additional job opportunities for the hardest-to-serve recipients of Temporary Assistance for Needy Families (TANF) funds. Section 5001(a)(5)(E) of the Social Security Act enables successfully performing States in the Welfare-to-Work program to qualify for a bonus. The bonus shall be awarded by a formula which includes the following measures: placement in employment, employment retention, increase in earnings of such individuals, and such other factors as the Secretary deems appropriate. The formula may take into account general economic conditions on a State-by-State basis. The Secretary of Labor shall prescribe a performance threshold in a manner that ensures that the performance bonus grants to states equal the $100,000,000 set aside for this purpose.

As DOL approaches the development of the Welfare-to-Work performance bonus formula and guidelines, certain factors make the process unique. The Welfare-to-Work program operates within the broader TANF and welfare reform effort. A set of ''High Performance Bonus'' guidelines for TANF performance in FY 1998 was issued by DHHS in March of 1998 with additional clarification issues August 13, 1998. While recognizing the unique nature of Welfare-to-Work grants, it is important that these two bonus systems are compatible. As currently authorized, the Welfare-to-Work performance bonus is a one-time process, unlike the TANF high performance bonus that will be ongoing over a period of five years. Thus, the Welfare-to-Work bonus criteria may differ from the TANF bonus criteria in certain respects and should also remain as straightforward as possible.

DOL has undertaken broad-based consultation with a workgroup of DHHS, NGA, and APHSA and State and local welfare and workforce officials to develop a bonus formula and guidelines for awarding the performance grants. The workgroup has achieved consensus on a set of proposed measures, explored the need and potential for economic adjustments, identified procedures for determining the amount of bonus awards, and examined the potential data sources for scoring States' performance in the context of the anticipated reporting burden.

II. Formula and Guidelines

This section presents the set of performance measures, the anticipated data sources, and the manner in which the bonus system will be applied and grant amounts determined.

A. Performance Measures

The performance measures reflect the three specified in the statute and the measures included in the TANF high performance bonus. They will include two job entry measures (basic rate and 30+ hour rate) and two post-placement measures (job retention and earnings gain).

1. Job Entry Rate: (a) Basic Rate = the number of participants entering employment for the first time divided by the total number of participants (i.e. the number of participants entering employment for the first time + the number of participants who are not employed + the number of participants entering employment not for the first time).

(b) 30+ Hour Rate = the number of participants entering employment of at least 30 hours per week, or increasing hours of subsidized and unsubsidized employment to 30 hours per week or greater for the first time, divided by the total number of participants (i.e. the number of participants entering or increasing to at least 30 hours of employment per week + the number who are not employed or who work fewer than 30 hours per week).

Explanation: Job entry is a fundamental feature of the Welfare-to-Work program. Providing two measures recognizes the importance of moving the hard-to-employ Welfare-to-Work participants into employment. At the same time, additional credit also should be given for promoting self-sufficiency by helping participants secure full-time employment, or jobs of at least 30 hours per week.

The time period for the measurement of both job entry measures will be from October 1, 1998 through September 30, 1999. This allows for the bonus criteria to apply when most States have reached a fully operational stage.

Credit for basic job entry will include both subsidized and unsubsidized employment and only the initial job entry for each participant in light of the importance of securing an initial attachment to the workforce. Basic job entry only counts for those jobs obtained while receiving services from a Welfare-to-Work entity. Credit for 30+ hour job entry will also include entry into both subsidized and unsubsidized employment, but includes an initial placement into a 30+ hour job and an increase in hours of weekly employment from less than 30 to 30 or more hours per week. Credit for 30 + hour job entry will include employment under 30 hours not obtained while receiving services from a Welfare-to-Work entity if the employment is increased to 30 or more hours while receiving services from the Welfare-to-Work entity. Unsubsidized employment will be defined as any type of employment that does not include a wage subsidy (e.g. a TANF wage subsidy or OJT). Subsidized employment counts as long as it is not fully subsidized employment or workfare, i.e. the amount paid to the individual exceeds the amount of the subsidy.

2. Job Retention rate = the number of participants employed in unsubsidized employment in the base quarter (Quarter 3: April 1 through June 30, 1999) who are retained in unsubsidized employment in the second subsequent quarter (Quarter 5: October 1 through December 31, 1999), divided by the number of participants employed in

unsubsidized employment in the base quarter (Q3).

3. Earnings Gain rate = the sum of the earnings of participants retained in unsubsidized employment in the second subsequent quarter (Q5) minus the sum of the earnings of that same group in the base quarter (Q3), divided by the sum of the earnings of that same group in the base quarter (Q3).

Explanation: The measures are based on a six-month time frame between the base quarter and the measurement quarter because at least six months are needed to see any significant earnings gains. The Act also suggests that job retention of at least 6 months is an appropriate outcome measure to use in evaluating the Welfare-to-Work program. Both retention and earnings are based solely on employment in unsubsidized jobs in light of the long-term goal of moving participants into unsubsidized employment. The third quarter was selected as the base period because it allows sufficient time for States to reach a steady state of program operations and have substantial numbers of participants in an employment retention phase. Measurement is limited to a single quarter because of the overall time limits on applying the bonus (measuring the FY 99 performance of FY 98 and 99 grantees for bonuses to be awarded in FY 2000).

B. Data Sources

The primary source of data to measure performance for bonus purposes will be the participant summary information included on the Welfare-to-Work Cumulative Quarterly Financial Status Report. States will automatically be considered for the Welfare-to-Work performance bonus by submitting the proper information on the Quarterly Financial Status Report. The primary source of data for filling out the participant information on these quarterly reports is anticipated to be Unemployment Insurance (UI) wage records. The recommended and preferable data source for earnings and retention measurement is UI wage records, with the measures and general approach having been set anticipating their use. DOL understands that there will be States that cannot or choose not to use UI wage records. States using other data sources for retention and earnings gain must justify the sufficiency of the other data collection methods to be used.

C. Bonus Allocation

Weighting the measures. The importance and influence of each of the measures can be reflected through the weighting of the measure. During the consultation on designing the bonus system, various views were expressed and considered. DOL has developed a weighting scheme as follows:

Job Entry Rate 60%
(a) Basic Rate 40%
(b) 30+ Hour Rate 20%
Retention and Earnings Rate 40%
(a) Retention Rate 25%
(b) Earnings Gain Rate 15%

Applying the formula. Statistical methods based on the distribution of States' performance levels for each performance measure will be used, both to determine which States can receive a bonus and to calculate the bonus amounts.

Determining eligibility. Each State's eligibility for receiving a bonus will be determined by a point system based on the extent to which the State performs above or below the national average for each measure. Assuming a normal distribution, a State will receive zero points for each measure on which it performs average or below average; one point for each measure on which it performs above average; and two points for each measure on which it performs significantly above average. If a State scores significantly below average on a specific measure, it will receive a score of negative one on that measure. In order to qualify for the bonus, a State must receive at least one point on one of the two job entry measures, plus at least one point on either the job retention or earnings gain measure. The extent of the standard deviation from the mean for each measure will be the basis for what determines above average (mean to one standard deviation above the mean), significantly above average (one or more standard deviations above the mean), and significantly below average (one or more standard deviations below the mean) performance.

Determining bonus amounts. Each State that qualifies for a bonus will be assigned a score according to the formula:

(W1)(X1) + (W2)(X2) + (W3)(X3) + (W4)(X4) = total score

(Where W represents the weight of the measure and X represents the score for each measure)

For example, if a State scores a 1 on basic job entry, 0 on 30+ hour job entry, a 2 on retention and a 1 on earnings gain, their score would be: (40)(1) + (20)(0) + (25)(2) + (15)(1) = 105

States will then be grouped according to their scores. Top performers (135–200 points) will receive a set percentage of their original Welfare-to-Work grant amount. Second-level performers (100–134 points) and third-level performers (35–99 points) will receive proportionately lower percentages. Applying the percentages to the State's formula grant amount will scale the award to the size of the State. Percentages will be set based on final performance data in a manner that provides for the full distribution of the $100,000,000 set aside for the bonus as required by the Act.

In order to avoid a single State receiving a disproportionately large bonus grant, caps are set at no more than 25% of a State's formula allotment, and no state may receive more than $20,000,000 (20% of the bonus money available).

Equity adjustments. DOL, based on the consultation process and past experience with providing adjustment approaches for performance standards, acknowledges the need to take into account the different economic circumstances in States and localities. The two most important factors expected to influence performance are the unemployment rate statewide and the unemployment rate in areas of the State with a high concentration of Welfare-to-Work participants. There is no comparable program able to provide a database that would allow the development of a statistical model to confirm that assumption. Once performance data are received, they will be analyzed to determine the extent to which these or other economic factors influence program performance, and appropriate adjustments will be taken under consideration in the assessment of a State's performance. A supplemental notice outlining more specific unemployment adjustment procedures will be published as soon as it is available.

Signed at Washington, DC this 18th day of November 1998.

Dennis Lieberman,

Director, Office of Welfare to Work.

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